

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6931

BILL NUMBER: HB 1424

NOTE PREPARED: Jan 21, 2013

BILL AMENDED:

SUBJECT: Teacher Recruitment and Retention.

FIRST AUTHOR: Rep. Porter

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Teacher Recruitment and Retention:* This bill establishes a Teacher Recruitment and Retention Fund, administered by the Department of Education, to: (1) attract qualified teachers to geographic areas of Indiana where a critical shortage of teachers exists; and (2) retain qualified teachers in teacher shortage areas; by providing student loan repayment assistance. It provides that as a condition of participating in the program and receiving student loan repayments, a teacher must agree to employment as a licensed teacher in a school district located in a teacher shortage area for at least five years.

Teacher Certification Incentives: The bill establishes the goal that by 2025, there will be at least one teacher who is certified by the National Board for Professional Teaching Standards (National Board) in every public school. It establishes the Teachers' National Board Certification Incentive Fund for purposes of: (1) funding stipends of \$200 per day for two days for teachers preparing for national board certification; (2) reimbursing 75% of the national board certification fee; (3) funding stipends for national board certified teachers who serve as mentors to other teachers; (4) reimbursing school corporations for the cost of paying teachers who have attained national board certification as of July 1, 2013, or thereafter an annual salary supplement of \$2,000 for the life of the certificate; and (5) reimbursing school corporations for the cost of employing substitute teachers for teachers who are national board certification candidates. Requires a school corporation to allow a teacher pursuing national board certification at least five days of released time during the school year.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Teacher Recruitment and Retention:* This bill creates a Teacher Recruitment and Retention Fund to provide financial assistance to teachers who work in a critical shortage area

after they graduate from school. The fiscal impact depends on the number of teachers that would apply for the repayment assistance, teach in a geographical area where a critical shortage of teachers exists, and the appropriations to the fund. To qualify for loan repayment assistance for student loans a teacher must: (1) hold a license to teach; (2) complete at least one year of teaching service in a g geographical area of Indiana where a critical shortage of teachers exists, as determined by the Department of Education (DOE); (3) agree in writing to the employment requirements; and (4) meet additional requirements that the DOE may establish.

According to the Project on Student Debt, four year college graduates in Indiana owe an average of about \$27,500 in loans. The maximum amount of the repayment assistance per year is the lesser of \$3,000 or 50% of the total principal and interest on the guaranteed student loan owed by the teacher. If 10% of the approximately 26,500 teachers with less than ten years of experience apply for assistance, the annual total assistance could range from \$4.4 M to \$8.0 M. The lower bound assumes 4% interest and payments over 10 years, the state would reimburse ½ of the annual payment of \$3,390, while the upper bound assumes the maximum assistance of \$3,000 per teacher. The teacher can receive the assistance for 5 years.

The bill does not contain an appropriation for the Teacher Recruitment and Retention Fund. The fund may also receive gifts, grants, devises, or bequests. The fund is to be administered by the DOE, and expenses to administer the fund must be paid from the fund.

Teacher Certification Incentives: There are approximately 1,861 schools in Indiana, so about 144 teachers would need to receive certification annually to meet the goal of having at least one teacher who is certified in every public school by the year 2025, Currently there are 156 National Board-certified teachers in Indiana. The bill provides funding incentives to achieve these goals.

The estimated total costs for the first year, assuming 144 teachers are certified annually would be \$791,700, and the cost the second year would be about \$1.2 M. The annual cost would increase by about \$428,000 a year. The annual ongoing cost of 1,861 certified teachers would be about \$5.5 M.

Background Information- A teacher would receive a stipend of \$400 to prepare for certification, 75% of the \$2,500 cost of certification, a stipend for serving as a mentor and a \$2,000 salary supplement after certification. The school is entitled to reimbursement for the cost of substitute teachers for the candidate. The certification cost per teacher is estimated to be \$2,650. This estimate assumes three costs: \$400 stipend, \$1,875 certification reimbursement (\$2,500 times 75%), and \$375 for substitutes (5 days at \$75 per day).

The cost after the teacher is certified is estimated to be \$2,975 annually. This estimate assumes three items not in the bill: mentors would receive a stipend of \$600, mentors would get 5 days per year of paid release time to mentor, and the average pay for substitute teachers is \$75 per day.

The estimated total costs for the first year, assuming 144 teachers are certified annually, would be \$791,700 ($144 * \$1875 + 144 * \$400 + 156 * \$2,975$), and the cost the second year would be \$1.2 M ($144 * \$1,875 + 144 * 400 + 300 * \$2,975$). The annual cost would increase by about \$428,400 ($144 * \$2,975$) per year. The annual ongoing cost of 1,861 certified teachers would be about \$5.5 M ($1,861 * \$2,975$).

Explanation of State Revenues:

Net Local Impact: The impact would increase local expenditures by \$490,020 the first year but also increase local revenue from state reimbursements by \$424,500. So, the net impact to local schools the first year is the

cost of fringe benefits of the salary supplement or about \$65,520 (156 teachers * \$2,000 * 21% fringe benefits). The net ongoing cost when the program is fully implemented is about \$781,200 (1,861 teachers * \$2,000 * 21% fringe benefits).

Explanation of Local Expenditures: *Teacher Certification Incentives:* Local schools would provide a supplemental salary adjustment for teachers certified by the National Board for Professional Teaching Standards and provide substitute teachers for candidates. The salary adjustment of \$2,000 does not include fringe benefits, which schools would be responsible for paying. The first year, 300 teachers would be eligible for the salary adjustment, 144 new teachers and 156 current certified teachers.

Assuming a fringe benefit rate of 21%, the \$2,000 salary adjustment, and \$375 for substitutes, the cost to school corporations would be about \$490,020 (156 teachers*(\$2,000*1.21)+\$375*144 teachers)) in the first year of the program and \$892,500 (300 teachers*(((\$2,000*1.21)+\$375*144 teachers)) in the second year. The annual ongoing cost for 1,861 certified teachers would be about \$5.2 M (1,861 teachers*(((\$2,000*1.21)+\$375)).

Explanation of Local Revenues: *Teacher Certification Incentives:* The school is entitled to reimbursement from the state for the supplemental salary and substitute teacher costs. The estimated total revenue for the first year, assuming 144 teachers are certified annually, would be \$424,500 (\$2,375*156 teachers+\$375*144 teachers), and the revenue the second year would be about \$766,500 (\$2,375*300 teachers + \$375*144 teachers). The annual revenue would increase by about \$327,750 (138 teachers*\$2,375) a year. The annual ongoing revenue for 1,861 certified teachers would be about \$4.4 M (1,861 teachers*\$2,375).

State Agencies Affected: Department of Education.

Local Agencies Affected: Local School Corporations

Information Sources: Department of Education databases, The Project on Student Debt, <http://projectonstudentdebt.org/>, National Board for Professional Teaching Standards website, http://www.nbpts.org/become_a_candidate/fees_financial_support.

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